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SIMPLE IRA PLAN CHECKLIST



This Checklist is *not* a complete description of all plan requirements, and should *not* be used as a substitute for a complete plan review.

For Business Owner's Use

(DO NOT SEND THIS WORKSHEET TO THE IRS)

Every year it is important that you review the requirements for operating your Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) IRA plan. This Checklist is a "quick tool" to help you keep your plan in compliance with many of the important tax rules. Underlined text below will link you to Internet information.

1. Does your business have 100 or fewer employees?

Yes No
☐ ☐

Businesses with more than 100 employees (including full-time, part-time, and seasonal employees) with individual earnings of at least \$5,000 yearly cannot establish a SIMPLE IRA plan.

2. Is this SIMPLE IRA plan your business's only retirement plan?

Yes No
☐ ☐

A business with a SIMPLE IRA plan generally cannot also sponsor any other retirement plan, such as a 401(k) plan.

3. Do you know how to, and did you, identify your eligible employees?

Yes No
☐ ☐

An eligible employee is one with compensation of at least \$5,000 per year in any 2 prior years, who is expected to earn at least \$5,000 this year.

4. Is the business that the SIMPLE IRA plan covers the only business that you and/or your family members own?

Yes No
☐ ☐

Employees of other businesses you and/or your family members own may have to be considered when determining who is an eligible employee under this SIMPLE IRA plan.

5. Did you notify your eligible employees of their right to elect salary reduction or modify a prior salary reduction agreement?

Yes No
☐ ☐

Each year, you must give your employees notice before November 2 of their right to participate in the retirement plan for the next year and to change a prior salary reduction agreement.

6. Do you give your employees an annual notice, before November 2 of each year, of plan provisions and employer contribution levels for the upcoming year?

Yes No
☐ ☐

You must give your employees notice of the plan provisions and employer contribution levels, including any plan changes, at least 60 days prior to the start of the next calendar year.

7. Have you allowed employees to terminate their salary reduction election?

Yes No
☐ ☐

You must allow your employees, *at any time*, to stop making deferrals.

8. Have you deposited employee deferrals timely?

Yes No
☐ ☐

You must deposit an employee's deferral in the IRA as soon as possible, but no later than 30 days following the month in which the employee would have otherwise received the money.

9. Have you deposited employer contributions timely?

Yes No
☐ ☐

As an employer, you have until the due date, including extensions, of your tax return to deposit matching contributions or nonelective contributions.

10. Are employee deferrals to SIMPLE IRAs limited as required by law?

Yes No
☐ ☐

The deferral limit to a SIMPLE IRA is \$8,000 for 2003, \$9,000 for 2004, and \$10,000 for 2005. Catch-up contributions of participants, aged 50 or over, are limited to an additional \$1,000 for 2003, \$1,500 for 2004, and \$2,000 for 2005.

If you answered "No" to any of the above questions, you may have a mistake in the operation of your SIMPLE IRA plan. Many mistakes can be corrected easily, without penalty and without notifying the IRS.

■ contact your benefits professional

■ visit the IRS at www.irs.gov/ep

■ call the IRS at (877) 829-5500



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